

Message Text

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ACTION ARA-10

INFO OCT-01 AF-04 EUR-08 ISO-00 EB-04 COME-00 INT-05 GSA-01

CIAE-00 DODE-00 PM-03 H-01 INR-05 L-01 NSAE-00 NSC-05

PA-01 RSC-01 PRS-01 SP-02 SS-15 USIA-06 AID-05 FRB-01

TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-01 SIL-01 OMB-01

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 2481

INFO AMEMBASSY BRUSSELS

AMEMBASSY KINSHASA

AMCONSUL LUBUMBASHI

AMEMBASSY LUSAKA

AMEMBASSY PARIS

AMEMBASSY SANTIAGO

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E.O. 11652 N/A

TAGS: EMIN, CG, CI, PE, ZA

SUBJECT: CIPEC MEETING IN LIMA ON OCTOBER 28, 1974

REFS: KINSHASA 8791, SANTIAGO 6347, LIMA 4916 (NOTAL)

1. DAVID BALLON, DIRECTOR GENERAL OF MINING, TOLD EMBASSY OFFICERS OCTOBER 23 THAT GOP WILL BE HOST TO CIPEC GOVERNING BOARD MEETING OCTOBER 28. THE MEETING, TO WHICH ONLY FOUR MEMBER STATES ARE INVITED, IS AN ANNUAL AFFAIR TO WORK OVER LUSAKA AGENDA ITEMS AND NEW PROPOSALS FOR NEXT MINISTERIAL MEETING. BALLON WILL REPRESENT PERU AT THIS MEETING.

2. BALLON STRESSED THAT PERU IS INTERESTED IN STUDYING
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QUESTION OF USE OF BUFFER STOCKS AND FLOOR PRICE FOR COPPER, BUT THAT NEITHER IN THEMSELVES WOULD BE SUFFICIENT

TO STABILIZE COPPER PRICES IN THE LONG RUN. HE CRITICIZED JAPANESE PRIVATE COMPANIES FOR RECENT MASSIVE STOCKPILE SALES WHICH HAVE SERIOUSLY DEPRESSED WORLD COPPER PRICE. HE EMPHASIZED THAT PERU IS SEEKING AN EVENTUAL ACCOMMODATION WITH PRODUCER COUNTRIES, SINCE A BUFFER MECHANISM IS AT BEST A PARTIAL ANSWER (HE SAID IT HAD FAILED TO PROTECT PRICE IN CASE OF TIN BUFFER STOCK ARRANGEMENT). HE MADE NO SPECIFIC MENTION OF PRODUCERS' PRICE RECOMMENDATION, ALTHOUGH HE CONDEMNED USE OF LME QUOTATION AS BASE FOR SETTING COPPER PRICES. BALLON SAID HE WAS NOT AWARE OF ANY POSSIBLE CHANGE IN ZAIRIAN POSITION RE FLOOR PRICES OR BUFFER STOCKS.

3. WHEN ASKED ABOUT POSSIBILITY OF ARAB FINANCING FOR FUTURE BUFFER STOCK ARRANGEMENT, BALLON'S RESPONSE WAS EVASIVE. HE SAID THAT ARABS IN GENERAL HAD OFFERED THIRD WORLD THEIR SUPPORT FOR SUCH ARRANGEMENTS, BUT NEITHER CONFIRMED NOR DENIED SPECIFIC POSSIBILITY THAT ARABS MIGHT FINANCE SUCH AN ARRANGEMENT IN COPPER. ON THIS SUBJECT, AN OFFICER OF A LARGE U.S. COPPER COMPANY, WHO IS WELL INFORMED BUT SOMEWHAT PRONE TO EXAGGERATION, HAD TOLD US THAT GOP HAS BEEN IN TOUCH WITH SAUDIS, LIBYANS AND IRANIANS, AMONG OTHERS, TO SET UP FINANCING FOR A BUFFER STOCK ARRANGEMENT. THIS SOURCE STATES THAT ARABS ARE CONSIDERING INVESTMENT OF A SUBSTANTIAL SUM IN CIPEC BUFFER STOCK, POSSIBLY \$2-4 BILLION, WHICH WOULD SERVE THE COMPLEMENTARY PURPOSES OF BOOSTING ARAB TIES TO OTHER THIRD-WORLD COUNTRIES AND MAKE EFFICIENT USE OF ARABS' LARGE BALANCE OF PAYMENTS SURPLUSES.

4. AT AN AIRPORT PRESS CONFERENCE SAME DAY, MINISTER OF ENERGY AND MINES JORGE FERNANDEZ MALDONADO, ALSO CRITICIZED JAPANESE SALE OF COPPER STOCK FOR CAUSING DRASTIC DROP IN WORLD COPPER PRICE. THE MINISTER THEN CALLED FOR THE INCLUSION OF ADDITIONAL COPPER PRODUCING COUNTRIES WITHIN CIPEC AND FOR CLOSER ASSOCIATION OF SILVER, OIL, AND IRON PRODUCERS AS WELL, IN ORDER TO DEFEND WORLD MARKET PRICES OF PERU'S PRODUCTS.

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5. COMMENT: DESPITE GENERAL FERNANDEZ MALDONADO'S STRIDENT TONES, WHICH USUALLY CHARACTERIZE HIS PUBLIC PRONOUNCEMENTS ON THIS (OR ANY OTHER) TOPIC, WE SURMISE THAT GOP WILL MOVE WITH CARE BEFORE OFFERING ITS SUPPORT TO SUBSTANTIVE CHANGE IN WORLD COPPER MARKETING SCHEMES. IN FACT, WE SURMISE THAT BALLON'S MORE CAUTIOUS APPROACH, WHICH REPRESENTS HIGH-LEVEL TECHNICAL VIEWPOINT, IS TAKEN MORE SERIOUSLY IN GOP CIRCLES THAN PUBLIC RHETORIC WOULD INDICATE. BALLON IS CLEARLY AWARE OF PITFALLS IN ATTEMPTING TO ARRANGE A COPPER

CARTEL WITHOUT FIRST REACHING AGREEMENT AMONG ALL
PARTIES AS TO HOW POTENTIAL BURDENS MIGHT BE SHARED BY
EACH PARTICIPANT. RE ARAB MONEY FOR BUFFER STOCKS, IT
SEEMS LOGICAL THAT RUMORS OF SUCH SUPPORT ARE CIRCULATING
AND NOT BEYOND REALM OF POSSIBILITY THAT ARABS HAVE MADE
OVERTURES TO CIPEC MEMBERS. WE TEND TO THINK, HOWEVER,
THAT IT IS PROBABLY PREMATURE TO PREDICT DIRECT ARAB
SUPPORT FOR BUFFER STOCK SCHEME AT FORTHCOMING LIMA
MEETING. IN REGARD TO ZAIRIAN POSITION REPORTED IN
KINSHASA 8791, IT IS LIKELY THAT PERU IS NOT INFORMED
ABOUT LATEST VIEWS AND WILL AWAIT ZAIRE'S PRESENTATION
AT THE MEETING.
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